

The Department of Justice reached an agreement with two online poker sites Wednesday that will allow users to recover funds from their accounts, but the future of the industry remains very much in doubt thanks to the Obama administration's crackdown last Friday.

U.S. Attorney Preet Bharara announced the government has entered into domain-name use agreements with PokerStars and Full Tilt so that users can recover funds they had tied up in the sites. The move should help quell the growing backlash from users who have been unable to access their money since Friday.

"No individual player accounts were ever frozen or restrained, and each implicated poker company has at all times been free to reimburse any player's deposited funds," Bharara said in a statement.

"In fact, this Office expects the companies to return the money that U.S. players entrusted to them, and we will work with the poker companies to facilitate the return of funds to players, as today's agreements with PokerStars and Full Tilt Poker demonstrate."

Both sites were seized, along with Absolute Poker, by the FBI — their executives have been charged with bank fraud, wire fraud, money laundering and illegal gambling offenses. The government alleges the sites were used by criminal organizations to launder large sums of money in violation of the law.

Poker Players Alliance Executive Director John Pappas welcomed the announcement in an interview with Hillicon Valley but said it came only after countless emails and phone calls from more than 65,000 members of his organization and other online poker players. Pappas said his membership reacted to Friday's events with "shock and dismay."

"Last week not only were many individuals stripped of their hobby, but in many cases their livelihood," Pappas said in reference to the 4 percent of his organization's 1.2 million members that identify as professional poker players. He said before Friday's events he had been optimistic about the prospect of legalizing online poker.

"We felt there was a real, rational discussion on Capitol Hill about the appropriate steps needed to license and regulate an industry millions of Americans already engage in," Pappas said, adding that the seizures wouldn't eliminate online poker but only drive it underground.

Rep. John Campbell (R-Calif.) told Hillicon he still believes there is interest in moving forward with a modified version of the bill he co-sponsored with Rep. Barney Frank (D-Mass.) to legalize online gambling. He argued the seizures have made the need for legislation more urgent.

"When we make laws that Americans think are unjust, law-abiding people will break them," Campbell said in a phone interview. "We can make it legal, safe, regulated, taxed — or continue to watch this sort of thing happen."

The bill appears unlikely to move forward in the House Financial Services Committee, which passed a nearly identical bill last year under Frank's leadership but is now chaired by Rep. Spencer Bachus (R-Ala.), who helped outlaw online gambling in 2006.

Campbell said his understanding before Friday's events was that the committee would hold a hearing on the issue this summer. The bill has also been referred to the House Judiciary Committee chaired by Rep. Lamar Smith (R-Texas), another opponent of legalizing online gambling.

The Energy and Commerce Committee, lead by Rep. Fred Upton (R-Mich.), currently appears to be the most likely path forward, but House GOP leadership, including Majority Leader Eric Cantor (R-Va.), have opposed Web gambling in the past and won't be eager to prick social conservatives ahead of next year's presidential election.

Campbell said both he and Frank are open to changing the bill in response to concerns that its enforcement provisions are not strong enough. Like Pappas, he argued the government's enforcement actions would only spawn illegitimate operators with less interest in treating players fairly.

"That's what markup is for," Campbell said. "I believe there is good and strong regulation that protects consumers and ensures only legitimate operations are [occurring]. The computer servers would be required to be in the U.S. because we have to be able to audit the servers."

Pappas said an estimated eight to ten million Americans play online poker, most betting less than \$20 a week, and called the allegations of money laundering over the sites "absurd."

"If there was even a legitimate concern there, wouldn't it better for these sites to be licensed in the U.S. and regulated through American banks, which undergo greater scrutiny?" Pappas responded.

He argued that without the sites most Americans are left without a place to play, since casinos are not always accessible and generally require significantly higher bets than virtual poker rooms.

"If the same policymakers are condoning the activity at a casino they certainly should be allowing individuals to enjoy it in the privacy of their own homes," Pappas said.

"Poker has been played in the privacy of people's homes since the beginning of the game. Unlike craps, roulette, etc., poker has always been played at home at the kitchen table."